

WHERE ARE WE IN THE ECONOMIC PICTURE?

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Presently we are in an inflationary recession and heading for more inflation:

The trend of business activity is downward:

148.3 in mid-March 1957; 126.7 in mid-March 1958

New orders for manufactured goods running lowest since 1954

Expenditures for new plant and equipment: \$32 billion expected in 1958;
\$37 billion in 1957; \$35 billion in 1956

Despite increases in hourly pay, mid-March 1958 weekly earnings of a
factory worker dropped to \$80.85 from \$82.41 a year ago.

Inventory liquidation expected to continue in the next two quarters.
By the end of November, 1957 the drop was in line with drops on the 1949
and the 1953-54 recessions.

Unemployment

February 1958 - 5.2 million (only 7% as against 15% in 1940, 25% in
1933; 16% in 1931); February 1957 - 3.1 million; 8 months in 1949 -
2.5 million; 6 months in 1953-54 - 2.5 million.

Consumer attitude towards buying is more favorable than in early 1949
and in 1953-54, BUT more pessimistic about business prospects; expect
prices to continue to rise; expect more income than a year ago but the
proportion receiving more income was lower than in the Consumer Survey
in 1950.

Evidence seems to support a trend from recession and into an inflationary
period.

Continued easy credit to consumers
Lower bank reserve requirements
Increased consumer spending
Reduced interest rates on long-term loans
Reduced stock market margins from 70% to 50%
Guaranteed loans for home dwellers
Rapid advances in defense spending and public works programs
Accelerated highway program
Possibility of extending unemployment benefits
Speeding flood control construction
Increased deficit spending by Government
Business resists reduction in prices
Steel wages will go up 9¢ an hour in July
Industry is reluctant to pass increased efficiency savings to consumers
Cost of living rose 3.2% in 1957 and 0.2% between January and February
in 1958.

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